



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CARTER COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES AND  
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES**

**May 14, 2002**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Alice Binion, Carter County Judge/Executive  
Honorable Kevin McDavid, Carter County Sheriff  
Members of the Carter County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Carter County Sheriff's Settlement - 2001 Taxes and 2001 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Carter County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE  
CARTER COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES AND  
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES**

**May 14, 2002**

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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CARTER COUNTY**  
**KEVIN MCDAVID, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES AND 2001 UNMINED COAL TAXES**

**May 14, 2002**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement 2001 Unmined Coal Taxes for Carter County Sheriff as of May 14, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$3,688,278 for the districts for 2001 taxes. Sheriff distributed taxes of \$3,598,752 to the districts for 2001 Taxes.

**Debt Obligations:**

None.

**Report Comments:**

None.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

**Subsequent Event:**

None.





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To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Alice Binion, Carter County Judge/Executive  
Honorable Kevin McDavid, Carter County Sheriff  
Members of the Carter County Fiscal Court

#### Independent Auditor's Report

We have audited the Carter County Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement - 2001 Unmined Coal Taxes as of May 14, 2002. These tax settlements are the responsibility of the Carter County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Carter County Sheriff's taxes charged, credited, and paid as of May 14, 2002, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
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Honorable Kevin McDavid, Carter County Sheriff  
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In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 3, 2002

CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES  
May 14, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 315,822	\$ 575,738	\$ 1,702,873	\$ 580,422
Tangible	28,917	50,666	146,050	96,241
Intangible	-	-	-	33,373
Fire Acreage	4,269	-	-	-
Supplemental Bills	453	826	2,444	833
Omitted LSG Tax Bills	629	1,146	3,390	1,156
Limestone, Sand, Gravel, and Clay	237	431	1,276	435
Total Per Sheriff's Official Receipt	\$ 350,327	\$ 628,807	\$ 1,856,033	\$ 712,460
<u>Other Taxes and Charges</u>				
Bank Shares	56,392	-	-	-
Correcting Erroneous Assessments	195	355	1,051	358
Penalties & Interest	3,388	6,104	18,052	6,259
Penalties Charged on Omitted Taxes	56	103	303	-
Franchise Corporation	45,986	79,253	234,014	-
Gross Chargeable to Sheriff	\$ 456,344	\$ 714,622	\$ 2,109,453	\$ 719,077
<u>Credits</u>				
Exonerations	\$ 10,039	\$ 18,143	\$ 53,648	\$ 17,242
Delinquents	15,742	28,429	84,082	33,195
Unpaid Franchise	261	447	1,313	-
Discounts	5,811	8,396	24,691	9,782
Total Credits	\$ 31,853	\$ 55,415	\$ 163,734	\$ 60,219
Net Tax Yield	\$ 424,491	\$ 659,207	\$ 1,945,719	\$ 658,858
Less: Commissions*	18,329	28,016	76,272	28,289
Taxes Due Districts	\$ 406,162	\$ 631,191	\$ 1,869,447	\$ 630,569
Taxes Paid	405,031	629,120	1,936,190	628,409
Less: Refunds (Current & Prior Year)	1,131	2,071	9,529	2,160
Less: Commission Refunds From School			(76,272)	
		**		
Refund Due Sheriff				
as of Completion of Fieldwork	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES  
May 14, 2002  
(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	1,732,556
	3.92% on	\$	1,945,719
**Special Taxing Districts:			
Extension District		\$	2
Refunds Due Sheriff		\$	2

The accompanying notes are an integral part of these financial statements.

CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES

May 14, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 42	\$ 76	\$ 224	\$ 76
Penalties	<u>4</u>	<u>8</u>	<u>22</u>	<u>8</u>
Gross Chargeable to Sheriff and Net Tax Yield	\$ 46	\$ 84	\$ 246	\$ 84
Less: Commissions*	<u>2</u>	<u>4</u>	<u>10</u>	<u>4</u>
		-		
Taxes Due Districts	\$ 44	\$ 80	\$ 236	\$ 80
Taxes Paid	44	80	246	80
Less: Commission Refunds From School	<u>                    </u>	<u>                    </u>	<u>(10)</u>	<u>                    </u>
Taxes Due Districts (Refund Due Sheriff)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
*Commissions:	4.25% on	\$ 214		
	4% on	\$ 246		

The accompanying notes are an integral part of these financial statements.

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS

May 14, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statements. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 14, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.



CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
May 14, 2002  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 31, 2001 through May 14, 2002.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2001. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 27, 2001 through May 14, 2002.

Note 4. Interest Income

The Carter County Sheriff earned \$4,454 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Carter County Sheriff collected \$24,186 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

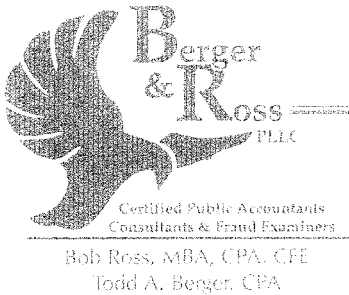
Note 6. Advertising Costs And Fees

The Carter County Sheriff collected \$1,575 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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 Association of Certified Fraud Examiners (ACFE)  
 National Association of Public Accountants (NAPAs)  
 National Association of Tax Exempt Organizations (NATExO)  
 National Association of Government Accountants (NAGAs)  
 National Association of Public Accountants (NAPAs)

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 Honorable Kevin McDavid, Carter County Sheriff  
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**Report On Compliance And On Internal Control  
 Over Financial Reporting Based On An Audit Of The Financial  
 Statements Performed In Accordance With Government Auditing Standards**

We have audited the Carter County Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement - 2001 Unmined Coal Taxes as of May 14, 2002, and have issued our report thereon dated July 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Carter County Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement - 2001 Unmined Coal Taxes as of May 14, 2002 is free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 3, 2002

